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CITY OF SAN BUENAVENTURA

The newly enacted Cable Television Consumer Protection and Competition Act of 1992 requires, among many provisions, the FCC establish procedures to regulate the rate cable companies charge their subscribers to receive the basic tier of cable TV service. Basic service, as provided by Avenue TV Cable and Century Cable of Northern California, the city's franchisees, includes channels 2-13 and is the lowest level of service subscription available. It does not include satellite services as provided in higher tiers of service.

Most cable companies charge subscribers proportionally more to receive the basic tier, with a lesser charge being added to receive additional satellite channels. In some cases, basic tier subscribers may subsidize the costs of providing satellite services for other subscribers. For example, if the FCC decides that a "reasonable" cost standard for the basic tier would be no more than half the combined rate of a basic-plus-satellite tier, then local cable subscribers could receive a significant cost saving for subscribing to the basic tier.

Ventura's cable providers cost for basic service provision is \$16 for Avenue TV Cable and \$17.45 for Century (plus utility users tax). Their costs for additional satellite channels is \$6.50 for Avenue and \$5.90 for Century plus a \$5 monthly decoder box rental charge by each company.

Administrative review indicates that the FCC's establishment of a "benchmark rate," based on the rate charged for basic service in markets where there is cable competition, could result in a more equitable rate structure and more equal distribution of costs between basic tier subscribers and those who subscribe to satellite channels as well. Under such a procedure, cable systems with rates above the benchmark price would be required to reduce their rates to the benchmark level unless they could justify the higher rates under the standards to be established by the FCC.

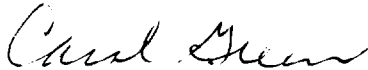
Under a cost-based system, as promulgated by cable industry representatives, the FCC would determine the reasonableness of a cable system's rates by examining particular costs of the individual cable system. Such a system could be difficult to operate primarily because the cable industry is not currently subject to any uniform accounting requirements. Therefore cable companies could represent their costs in a variety of ways which, because cable companies are generally privately-held, might not be subject to verification or analysis.

John Baker
January 19, 1993
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The proposed response to the FCC is directed to the
Notice of Rulemaking, dated December 24, 1992, p
61, which states:

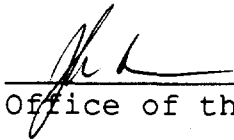
"We solicit comment on whether Congress intended that we should
give primary weight to the goal of protecting subscribers of
any cable system from rates higher than those that would be
charged if the system were subject to effective competition."

It is recommended that the City Council direct staff to respond to
the FCC Notice of Rulemaking, dated December 24, 1992, urging
adoption of a benchmark-based procedure to implement regulation of
basic tier cable TV rates, as opposed to possible adoption of a
cost-based system, which is currently being advocated by cable
industry representatives.



Carol Green
Assistant to the City Manager

FORWARDED TO THE CITY COUNCIL



Office of the City Manager